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DEPT FOR THE DEPUTY SECRETARY

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SUBJECT: YOUR VISIT TO EL SALVADOR

Classified By: Ambassador Charles L. Glazer Reasons 1.4 (b) and (d)

¶1. (C) I am delighted that you'll be visiting El Salvador, one of our strongest allies in the Western Hemisphere, and a bastion of economic and political stability in the region. Your visit will highlight the strategic importance of the U.S.-El Salvador relationship and bring attention to a number of important issues we are pursuing in the bilateral relationship. Your visit comes at an important time in El Salvador. You arrive as El Salvador is already focused on preparing for 2009 municipal, legislative and presidential elections. As the 2009 elections draw closer, the political climate is becoming increasingly tense. Additionally, the economy is feeling the pressure of the recent world-wide spike in fuel and commodity prices. Fears that the U.S. economic slowdown will reduce the flow of remittances (which account for more than one-sixth of the country's GDP) are also negatively impacting public confidence. Improving public security is the highest priority for the U.S. Mission as crime is an important political issue and economic constraint. The Merida Initiative and Cooperative Security Location are important elements of our cooperation on security and antinarcotics.

#### Political Overview

¶2. (C) President Elias Antonio "Tony" Saca of the governing ARENA party assumed office June 1, 2004 after winning a hotly contested presidential race with 57.7 percent of votes cast. President Saca's center-right ARENA party holds 34 of 84 seats in the Legislative Assembly, but aligns with smaller, centrist parties to form a working majority on important issues. The leftist FMLN holds 32 seats. Municipal and legislative elections will be held January 18, 2009. Presidential elections will be held March 15, 2009. If no candidate receives over 50% of the vote, a runoff will be held April 19. The campaign is off to an early start. Last October, the FMLN nominated telegenic journalist Mauricio Funes as its presidential candidate, with old guard FMLN stalwart Salvador Sanchez Ceren as his running mate. While many question which part of the FMLN (the new face or the old guard) will actually control policies should the FMLN win the election, few doubt that the FMLN will be a formidable opponent in the 2009 elections. After a lengthy candidate selection process, the ruling ARENA party nominated Rodrigo Avila, the former head of the National Civilian Police (PNC) as its candidate. Thus far, Avila's candidacy has failed to generate much enthusiasm with voters or even within ARENA.

¶3. (C) President Saca has made the reinvigoration of El Salvador's economy, the creation of jobs, and improvements in the nation's infrastructure his highest priorities; however, staggering rates of violent crime deflect attention from his economic priorities. We are working closely with the GOES to address this crisis, both by providing resources where we can and by advising the Government on police, legal and criminal

procedure reforms. Both the public security crisis and the economic situation could have a major impact on 2009 presidential and legislative elections.

¶4. (SBU) The Saca Administration has put more focus on social spending programs, but it has been stymied by FMLN legislative opposition to multilateral loans. Under the Salvadoran Constitution, a super majority of Legislative Assembly votes is needed to approve additional debt obligations. The FMLN has opposed recent World Bank and IDB loans, claiming previous funds have been misused or not sufficiently accounted for. To get around the impasse, the GOES resorted to creative and more costly financing. They created trust funds to finance pension costs as well as security and education projects. This has opened a Pandora's Box with the GOES now considering similar trusts for electricity and public transport subsidies. The FMLN is challenging these trust fund financing mechanisms in court.

#### Economic Overview

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¶5. (SBU) El Salvador was the first nation to sign and implement CAFTA-DR (in 2006); early results are encouraging. El Salvador has achieved strong GDP growth rate over the past two years, 4.2 percent in 2006 and 4.7 percent in 2007, after a decade of disappointing growth. Economic fundamentals remain strong and the GOES continues, for the most part, to implement positive, free market-based economic reforms. Regional integration is another key to further sustained economic development. The primary risks to the Salvadoran economy include a recession in the United States, continued fuel and food price increases, and natural disasters. Judicial corruption and inefficiency is also a concern. Cases linger in the courts for years; judges are not held accountable; and arbitration decisions are not enforced.

¶6. (C) Remittances from Salvadorans living abroad provide an important source of income for their families in El Salvador. In 2007, remittances amounted to \$3.7 billion, approximately 18% of GDP. Some 25 percent of Salvadorans live in the United States, many illegally. El Salvador was designated for Temporary Protected Status (TPS) after the 2001 earthquakes. Currently, 234,000 Salvadorans benefit from TPS, allowing them to live and work legally in the United States. (TPS is set to expire March 9, 2009, less than a week before Salvadoran presidential elections. President Saca is likely to raise the issue.) The U.S. debate over immigration reform is followed very closely here.

¶7. (SBU) The Salvadoran financial sector is booming, thanks in part to an opening of the sector that has allowed major international players to enter. Citibank, HSBC, and BanColombia have all acquired prominent local banking institutions. Non-banking financial institutions, typically microfinance lenders, are expanding rapidly in rural areas and moving more into small and medium enterprise lending.

¶8. (SBU) Early trends under CAFTA-DR appear positive. Non-traditional exports (such as Salvadoran food products) have increased 64 percent since the CAFTA-DR went into effect. CAFTA-DR also appears to have helped the maquila (textile and apparel for export) sector halt its decline. The GOES has implemented most of its CAFTA-DR regulations, though new regulations for data protection and data exclusivity are still outstanding. El Salvador continues to block the import of U.S. poultry and eggs under questionable phytosanitary regulations. The Salvadorans have been negotiating for over a year to resolve this issue, which has been raised at the WTO and may lead to a formal U.S. complaint.

#### U.S. Assistance

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¶9. (SBU) The United States provides assistance through USAID and the Millennium Challenge Corporation (MCC) to promote sustainable economic growth and reduce poverty, in addition

to INL and DoD funded programs discussed later. USAID manages bilateral and regional programs to promote economic growth, strengthen democratic institutions, improve social services and support the enforcement of environmental and labor standards under CAFTA-DR. An MCC compact approved in 2006 and in force since September 2007 is investing \$461 million over five years to stimulate economic growth and reduce poverty in the country's northern region through strategic investments in education, public services, enterprise development, and transportation infrastructure.

¶10. (SBU) According to the latest MCC eligibility performance indicators, El Salvador did not pass in five out of the six indicators under "Investing in People" category and fell below the median in the "Rule of Law" indicator in the "Ruling Justly" category. GOES officials note the lag in the data, question some of the measurement methodologies and are working on a plan, expected to be released publicly in late June, for improving their performance on the indicators. Other reforms, including a new criminal procedure code and an asset forfeiture law, are already well underway. The GOES has an office within the Secretaria Tecnica (Presidential Chief of Staff equivalent) dedicated to following and improving El Salvador's performance indicator scores.

#### Civilian-Military Relations

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¶11. (C) The Salvadoran Armed Forces (ESAF) are capable, professional, and subordinate to civilian authority. The military consistently receives high approval ratings in public opinion polls, due largely to its response to national emergencies, including earthquakes, hurricanes, and outbreaks of infectious diseases such as dengue. Salvadoran soldiers also support police in counternarcotics efforts, anti-gang patrols, rural patrols, customs inspections, and reform-school training for juvenile convicts. The ESAF continues to focus on force modernization in a constrained budget environment.

#### Operation Iraqi Freedom

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¶12. (C) Since August 2003, the GOES has deployed over 3000 troops to Iraq. There are currently 280 Salvadoran troops in Iraq, a number that is likely to drop to 200 with the next troop rotation. To date, there have been 5 KIAs and 58 WIAs.

President Sacca has pledged to remain as long as needed, saying that the U.S. stood by them during their difficult times, and that they will stand with us. Salvadoran troops have performed admirably for the last four years. Their performance has been recognized at various levels, including six soldiers who were awarded the Bronze Star by the former Secretary of Defense for saving the life of Najaf's Coalition Provisional Authority Provincial Coordinator. In May 2007, President Sacca made an unannounced visit to Iraq and personally expressed his gratitude and pride for their tremendous contributions to the reconstruction of Iraq. This month, I had the honor and privilege to accompany Salvadoran Minister of Defense Molina to Iraq to visit the Cuscatlan Battalion in Al Kut.

¶13. (C) Salvadoran soldiers were intimately involved in the training and equipping of the Iraqi Civil Defense Forces in Najaf, Al Hillah, and Al Kut. The national press has positively portrayed the real impact of ESAF efforts and the gratitude of Iraqi provincial leaders. In December 2006 the Legislative Assembly passed a one-year extension to President Sacca's authority to maintain troops in Iraq through December ¶2007. In December 2007 the Salvadoran Legislative Assembly voted to extend El Salvador's deployment until June 2009 based on the UNSC resolution to extend the coalition troop presence in Iraq. Public opposition to Salvadoran involvement in Iraq runs as high as 70 percent, but President Sacca portrays himself as a faithful friend of the U.S. and has remained steadfast in his support of OIF. The FMLN, in contrast, has made clear that if elected, it would end Salvadoran participation in OIF.

## Peacekeeping and International Agreements

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¶14. (SBU) The GOES is interested in peacekeeping opportunities and is publicly discussing a potential contribution to the UN peacekeeping force in Lebanon. The UN has certified ESAF as competent for full participation in UN Peacekeeping Operations, and the ESAF is taking active measures to deploy a small number of troops to Lebanon before ¶2009. The USG has released funding and supplies for training the ESAF to take part in the Global Peacekeeping Operations Initiative (GPOI) in support of a long-term desire of the Conference of Central American Armed Forces (CFAC) to deploy a combined peacekeeping unit from El Salvador, Honduras, Guatemala and Nicaragua. El Salvador is not a signatory to the International Criminal Court, but signed and ratified Article 98 provisions to the Rome Statute with the U.S. in ¶2004. In late 2006 the Legislative Assembly approved a 505 Agreement for U.S.-provided assistance; the Assembly has also approved an agreement for the protection of classified military information and the DoD/DoS preferred global format Status of Forces Agreement.

## Counternarcotics and Counterterrorism Issues

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¶15. (C) The Salvadoran government is a valuable partner in the war on drugs. El Salvador is a transit country for narcotics, mainly cocaine and heroin. El Salvador is host to Central America's only Cooperative Security Location (CSL), as well as the International Law Enforcement Academy (ILEA), which provides law enforcement training to personnel from El Salvador and the region. The CSL agreement expires in August ¶2010. We believe it is best to renew the agreement now, with the current government, rather than after the 2009 elections.

President Sacca has indicated he is receptive to the idea of expanding authorities beyond the current CN detection and monitoring missions; we are awaiting a formal response from the GOES on a proposed agreement extending and expanding the scope of the current agreement. Early, informal reactions from the GOES have been positive.

¶16. (SBU) The Cooperative Security Location (CSL, formerly Forward Operating Location - FOL) provides aerial counternarcotic support from the Salvadoran air base at the International Airport of Comalapa, El Salvador. The CSL maintains 21 permanent U.S. Navy staff and 32 civilian contractors to support 110-140 temporarily deployed USN and USCG personnel operating 3-6 maritime patrol aircraft (MPA) for aerial counter-narcotics detection, monitoring, and interdiction. CSL also hosts a rotating monthly detachment of one Canadian CP-140 MPA with 20-22 personnel. Information gathered during monitoring flights is shared with regional allies who then decide whether their own law enforcement officials should intercept suspect vessels and airplanes.

¶17. (C) U.S.-funded training and equipment have contributed significantly to improvements in the National Civilian Police (PNC) Counternarcotics Division. El Salvador's geographic position makes it vulnerable to those trafficking drugs, drug proceeds (in the form of bulk money shipments or remittances), people, and guns to or from the United States. JIATF-South, with its ability to provide Salvadoran authorities with real-time intelligence, is a great asset; however, the ESAF need additional resources to help us take full advantage of JIATF's capabilities.

## Violent Crime and the Merida Initiative

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¶18. (SBU) Rising levels of violent crime are a significant economic constraint and may have a major impact on the 2009 elections. Violent transnational street gangs such as MS-13 and M-18 pose serious threats to public security, and random, violent crime is endemic throughout the country. The U.S. is working closely with the Salvadoran government to develop the capacity of public security services and advise the government on police, legal and criminal procedure reforms.

One of the mission's major bilateral law enforcement initiatives is the Transnational Anti-Gang Unit (TAG), a joint undertaking of the National Civilian Police (PNC) and the U.S. Federal Bureau of Investigation. This binational investigative unit, the first of its kind in the region, has significantly enhanced the flow of information on transnational street gang activity throughout the region, as well as launched major investigations of street gang activity. Other major mission law enforcement efforts include INL-funded prison reforms intended to curb transnational street gang activity radiating out of the country's overcrowded jails, as well as the establishment of a Regional Gang Advisor position with responsibility for coordinating anti-gang policy across El Salvador, Guatemala, and Honduras.

¶19. (SBU) The Merida Initiative promises to play an important role in reinforcing security cooperation and reducing the threat of transnational crime. The Initiative aims to strengthen state institutions in the region, as well as eliminate the impunity of criminal organizations that aggressively intimidate these institutions, threaten governments' abilities to maintain public security, and pose a hazard to the security of the United States. Funds are divided among three "pillars" of activities: Counternarcotics, Counterterrorism, and Border Security; Public Security and Law Enforcement; and Institution Building and Rule of Law. The Central America portion of the Initiative seeks to directly respond to needs identified by the Central American governments. In light of the strong cooperative relationship we share with the Salvadoran police and public security sector, we are poised to move forward rapidly with an aggressive reform agenda once Merida funds are made available.

¶20. (SBU) Judicial corruption and continuing low levels of public confidence in the Salvadoran justice system will, however, limit the impact of U.S. financial assistance. The court has shielded judges from investigation by denying requests by the Salvadoran Attorney General to open investigations following the receipt of complaints. We are told that in retaliation, many judges and judicial employees are either refusing to accept motions or intentionally delaying the processing of criminal cases. These acts lend credence to a growing public perception that the judiciary values the shielding of judges from prosecution over the integrity of the institution. The U.S. Mission is redoubling programming and diplomacy to encourage legal reforms such as the adoption and enforcement of standards for ethical behavior among justice sector actors, promoting professional ability and merit over political influence in judicial selection and improving public access to the judicial system via transparency and accountability.

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